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City of Detroit

CITY COUNCIL

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ANNE MARIE LANGAN
DEPUTY DIRECTOR
(313) 224-1078

TO: COUNCIL MEMBERS

FROM: Irvin Corley, Jr., Director ICJ

DATE: March 17, 2008

RE: Discussion: Greater Detroit Resource Recovery Authority (GDDRA) Incinerator Update

As your Honorable Body knows, there is a 10:30 discussion this morning in the City Council Public Health and Safety Standing Committee on the strategic alternatives regarding the future of the GDDRA Resource Recovery Facility (waste-to-energy incinerator plant).

The Fiscal Analysis Division provides the enclosed report that raises many questions and concerns about the strategic alternatives that need addressing as soon as possible before Council can make an informed decision on the future of the Resource Recovery Facility.

To facilitate your discussion and given today's submission of this report, I feel that your Honorable Body should at a minimum place close attention to the "Timing Issues" section of our report, which starts page 4. Dates are given as to when important decisions are to be undertaken regarding the future the facility.

Enclosure

cc: Council Divisions
Auditor General's Office
Ombudsperson's Office
Anthony Adams, Deputy Mayor
Cathy Square, Chief Operating Officer
John Prymack, Director of the GDDRA
Norman White, Chief Financial Officer
Pamela Scales, Budget Director
Charles Beckham, Public Lighting Director
Victor Mercado, Water and Sewerage Director
Kerwin Wimberly, Mayor's Office

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ANNE MARIE LANGAN
DEPUTY DIRECTOR
(313) 224-1078

TO: COUNCIL MEMBERS

FROM: Irvin Corley, Jr., Director I.C.J.

DATE: March 17, 2008

RE: Report on Strategic Operating Alternatives Report to the Greater Detroit Resource Recovery Authority **(Departmental Report)**

Introduction

On July 23, 2007, the Honorable City Council received from the Greater Detroit Resource Recovery Authority a document entitled the "Strategic Operation Alternatives Report to the Greater Detroit Resource Recovery Authority".

The Strategic Operating Alternatives Report was prepared by Dvirka and Bartilucci Consulting Engineers and Urban Engineering Solutions, P.C. for the Greater Detroit Resource Recovery Authority (GDRRA) and the City of Detroit in order to assemble background information and analysis to assist in the development of a long range solid waste management strategy. As presented the adoption of the long range solid waste management strategy will provide guidance for the City of Detroit and GDRRA in their decision on the future of the Resource Recovery Facility (RRF).

Brief History of GDRRA and the Resource Recovery Facility

It is difficult briefly describing the history of GDDRA and the Resource Recovery Facility. Without question, the financing, construction and operation of the Resource Recovery Facility represents one of the most complex projects undertaken by the City of Detroit.

Rationale for the Resource Recovery Facility

A severe energy crisis in the late 1970's and early 1980's created a new emphasis on finding new sources of energy other than oil and gas. Some engineers suggested cities could burn their trash to generate electricity that might be sold. Some environmentalist found this methodology controversial given the pollution massive incinerators could produce.

Creation of the GDDRA and Development of the Resource Recovery Facility

The Cities of Detroit and Highland Park established the creation of the Greater Detroit Resource Recovery Authority under Act No. 179 in August 1984. The GDDRA is a component unit of the City of Detroit.

The GDDRA was established for the acquisition, construction and operation of the RRF, a waste-to-energy facility, including a steam line to connect the plant to the Detroit Edison steam grid. In May 1986, GDDRA sold $438 million in revenue bonds, back by the full faith and credit of the City of Detroit, to construct the facility. Distributable state aid, or state revenue sharing, is the revenue pledged to pay back the principle and interest on the bonds. The City pays the debt service on these bonds from an annual "tipping fee" out of the General Fund. If the City fails to pay the tipping fee, GDDRA has power and authority to impose rates and charges directly upon the residents who were receiving waste disposal services.

Essentially, the RRF was developed to address the municipal solid waste disposal needs of the City of Detroit and Highland Park, in Wayne County, Michigan, and to reduce the continued reliance on landfills, which were perceived at the time (late 1970's/early 1980's) as being limited. In addition, more stringent environmental regulations applicable to land filling were expected to increase significantly the cost of land filling in the future.

Sale of the Resource Recovery Facility

Construction of the Resource Recovery Facility started in May 1986 and was completed in 1990. However, the facility experienced emission problems during the testing phase. In April 1991, the Michigan Air Pollution Control Commission executed a Consent Order authorizing the installation of air pollution control equipment at the facility, which must meet the most stringent state and federal guidelines on emission standards.

In October 1991, the Economic Development Corporation of the City of Detroit issued $171.5 million in revenue bonds for the construction and installation of certain pollution emission control equipment for the facility. The pollution control equipment is also known as the "dry scrubbers" and "fabric filters", used to remove or filter out certain pollutants. The City, using its state revenue sharing as the pledged revenue source, also backs these bonds.

So, total investment in the RRF approximated $609.5 million ($438 million construction cost of the facility and $171.5 million for the pollution control equipment).

Facing a huge budget deficit in 1990 and 1991, the City decided to sell the RRF (but not the steam line to Edison). This was an extremely convoluted and complex transaction. But in a nutshell, GDDRA sold the Resource Recovery Facility on October 23 1991 to private investors in a sale-leaseback transaction for $635 million. The purchase price was paid with $127 million in cash, mortgage notes valued at $343 million and future assumption of revenue bonds payable in the amount of $165 million.

The purchasers (Phillip Morris and Aviation Services) agreed to lease the facility to the outside operator for an initial term of 18 years (hence, 2009). The outside operator would continue to operate the facility under a supplemental operating agreement with GDDRA, which results in the GDDRA assuming most of the lease obligations.

Upon expiration of the initial lease term (in October 2009), GDDRA has options to renew the lease or repurchase the facility. The City of Detroit, under the supplemental service contract, has agreed to pay supplemental tipping fees to the GDDRA sufficient to, among other things, meet these obligations. The lease payments approximate the amortization of the mortgage notes.

The cash proceeds from the sale of the facility ($127 million) will be reported as a finance obligation until GDDRA's repurchase option is exercised or expires, at which time the gain on the sale would be recognized. **Additionally, in 1991, the GDDRA distributed $54 million of the cash proceeds to the City of Detroit to help address the City's budget deficit, which was reflected as a reduction of GDDRA's net assets (or equity). In addition, the $54 million represented a reimbursement of Tipping Fees advanced by the City in 1989-90 and 1990-91.**

As a result of the sale-leaseback transaction, the purchasers Phillip Morris and Aviation Services were willing to make the cash payments because they eligible to receive up to $200 million in pollution depreciation and investment tax credits over a 20-year period.

The Resource Recovery Facility sale also included an Energy Purchase Agreement between GDDRA and Detroit Edison for Edison's purchase of steam and electricity produced by the facility; and agreements between the City and Detroit Edison as it relates to Public Lighting's and the Water and Sewerage Department's purchase of electricity from Edison, all very complicated agreements.

Parties and Documents Involved in the Resource Recovery Facility Transaction

Attachment I represents a report that shows all parties and most documents involved in the RRF transaction. At a minimum, the Research and Analysis Division should have an executed copy of all these documents for Council member and staff review.

RAD should also have an executed copy of the Public Lighting wholesale electric sale agreement, the Water and Sewerage Department retail electric sale agreement, and the Amended and Restated Energy Purchase Agreement between Edison and the City.

Ideally, all Council members, Council Divisions and the City Clerk's office should a copy of these documents.

Observation

The original decision to construct the Resource Recovery Facility, a waste-to-energy facility, was controversial and the project has suffered regular criticism during its operation. In retrospect the construction and operation of the RRF is viewed as a poor choice and has conceivably increased the cost to the City of Detroit for disposal of its solid waste. However, if legislation in connection with landfill space and regulations had not been relaxed, along with other energy and pollution events taking a different path, the project might have been viewed much more favorably. Instead, the project may have been viewed as one of vision and foresight, rather than increasing disposal cost compared to land filling.

Timing Issues

The issue facing the City of Detroit and the GDRRA now relates to the fact that decisions on exercising options included in the original agreements for the ownership and operation of the Resource Recovery Facility are upon the City. The following tables is made from two timeline exhibits contained in the Dvirka and Bartilucci report, specifically Exhibit 9-7 Key Dates for Development and Implementation of a Solid Waste Management Strategy, and 9-8 Major Options and Obligations of the Parties. Attachment II and III is a copy of the exhibits.

Date	Strategy Event	Major Options and Obligation
April 2006 to March 2007	Strategic Alternatives Analysis and Plan Prepared with Input from Task Force	
May 2007	City and GDRRA adopt long-term Solid Waste Management Strategy	
June 2007	GDRRA initiates implementation actions (Specifications, Procurement, Contracting, Financing, Construction)	

Date	Strategy Event	Major Options and Obligation
September 2007	**GDRRA prepares 2008-09 budget anticipating loss of steam revenues, beginning Dec. 2008 thru July 2009**	
December 2007	GDRRA prepares notices required under Resource Recovery Facility agreements in accordance with the City's adopted strategy	
January 1, 2008		GDRRA RRF Purchase Option – Early date for GDRRA notice to owners of intent to purchase if no renewal from Covanta (PA 13,10)
CURRENT DATE MARCH 2008		
June 1, 2008		GDRRA RRF Lease Option (2) – Latest date for GDRRA notice to Covanta deciding Coventa to renew lease (SOA, 6.01 (b)) – Last day for GDRRA and owners to conclude substitute Lease and foreclose Convanta Lease renewal rights. (P.A. 13.14 (c); LA 5.02(b)(ii)
June 1, 2008 also		State of Michigan Operating Permit – Latest date to submit permit renewal application.
June 13, 2008		Steam Sales – Last date for MWE or DTE notice of desire for 5-year extension of steam sales (EPA 3.2)
July 1, 2008		GDRRA RRF Lease Option (2) – Last date for Covanta to renew lease per GDRRA directive (LA 5.01)
July 1, 2008 also		GDRRA RRF Purchase Option – Last date for GDRRA notice of intent to purchase if Covanta has <u>not</u> issued renewal notice (PA 13.10
July 1, 2008 also		Covanta Lease Option (2) – Last date for Covanta notice of intent to renew lease and release GDRRA from all obligations LA 5.01(a) and 5.02 (b)(ii), SOA 6.01 (b)

Date	Strategy Event	Major Options and Obligation
December 1, 2008		State of Michigan Operating Permit – Operating permit expires
December 1, 2008 also		Electric Sales – Last day for MWE or new operator notice to DTE of intent to supply electricity through 2024 and avoid default (EPA, Ex. H 9.3) (DTE has right to approve new operator)
December 13, 2008		Steam Sales – Expiration of Steam Purchase Agreement (EPA 3.1.2)
January 1, 2009		GDRRA Landfill Option – Early date to notify Convanta that GDRRA will not renew Operating Agreement, otherwise SOA extends 5 years. (SOA 3.02)
January 1, 2009 also		GDRRA RRF Purchase Option – Last date fro GDRRA Notice of Intent to purchase if Covanta has issued renewal notice. (PA 13, 10)
July 1, 2009		Owners' Fair Market Rate Use Option – Earliest date for Owners to offer RRF services to GDRRA at fair market value rate (no more than landfill cost). (PA 13.5)
July 1, 2009	New Long-Term Solid Waste Management Program begins. Note New Program would begin in Dec 2008 if RRF agreements were terminated early.	

The timeline exhibits and above table show that a number of the dates for actions or decisions **have already passed**. Council may want to ask that GDRRA and administration representatives to come before Council and inform Council of the status of the dates already passed, and the plan for meeting future dates.

Questions

Have any of the available options for either continued operation or the close down of the RRF been eliminated due to the passage of a decision or option date? If so, what was the date? What was/were the options that have been lost?

From reading the report, and review of the timelines, see December 1, 2008 second item, it appears that the agreement for electricity sale extends to the year 2024, and the City/GDRRA may suffer a financial penalty should the RRF not continue to provide electricity under the agreement. Council may want to request a comprehensive report from GDRRA and City Administration clarifying this item. Including why would one of the multiple agreements have such a different time period? Both the sale of electricity and steam produced by the RRF potentially have significant ramifications to the final decision and Council may also want the Research and Analysis Division to review all of the agreements, and provide guidance on this area in particular.

This leads to another general question on timing related to the RRF decision. The strategic plan and analysis uses a 10-year planning period. Council should request the reason the analysis was limited to this period of time rather than multiple time periods such as 3, 5, 10, and 15-year periods. A question as it relates to the possible period of time for the continued operation of the RRF would be this 10-year planning period does not appear to address the 2024 date in the sale of electricity agreement. Is this being addressed in some other fashion? How? Or is it an oversight?

One important variable that may be sensitive to the differing time periods **would be the need for major capital expenditures that may be required should the RRF continue to be operated**. The facility might be capable of operating for three or five years without any major improvements, but not over a ten-year period. In any case, the longer the period of time, the greater the risk factor of some major improvements being required. Without factoring this into any decision, the analysis would not be as complete. **Is there an engineering study available that substantiates the short-term and projected long-term condition of the facility and projected capital expenditures?**

General Comments

The strategic alternative report does not make or come to a recommendation but rather points out that the decision is not as clear-cut as has been thought in the past. The current and past Administrations have pointed to how expensive the operation of the RRF has been and the negative impact the RRF has had on the budget for the City. This would lead most to assume that the RRF should be closed and the City moves to land filling of solid waste. The method the majority of communities in the metropolitan area utilize. However, in reading the report complicating factors, including the number of participants involved and their rights and options, the number of agreements, compliance with county and state pollution plans, recycling objectives, electricity and steam sales are brought to the attention of decision makers as considerations before a final decision is made.

At this point, it is not clear if any or all of these considerations should be included, or to what extent. Or if the decision should be based simply on the current cost to land fill verses operating of the RRF. **An item like increased recycling should be part of either plan, operation of the RRF or land filling of solid waste**. Unless the costs associated with recycling are significantly different or potential quantity of recycling is different, this factor may only cloud the real decision.

The report presents a lot of data on the steam loop. However, the steam loop is the responsibility of another entity, not the City or GDRRA. While the cost of steam the City must pay is a legitimate concern, including it may overly complicate the decision. Especially when it appears there is some level of subsidy between Detroit Edison Company electricity purchases and the sale and cost of steam generated by the RRF. It would be our recommendation that these artificial subsidies, etc. be removed from any future agreements.

Questions

What is the position of the current owners as it related to continued ownership of the RRF? Are they interested in continuing with the current arrangement? Or are they looking to terminate the agreement? Do they have the option to sell their interest in the RRF to other companies? Does the City/GDRRA have the right to approve a sale?

Is the current operator interested in continuing the operation of the RRF? How many other companies are capable of operating the RRF? Are these other companies interested in taking over operation of the RRF?

Is it possible to negotiate improvements from the City of Detroit's perspective to the agreements with Detroit Edison Company and Detroit Thermal? This may especially be important depending on the term, and related financial penalties that may be attached to the agreements.

The agreements referenced per Attachment I relating to the RRF are listed in the strategic alternative report, but the specific of the agreements are not included. Council may want to request that the GDRRA and/or administration provide the details of these agreements as they relate to the closing or continued operation of the RRF.

GDRRA Land Fill Option
Owners' Fair Market Rate Lease Option
GDRRA RRF Lease Option
GDRRA RRF Purchase Option
Covanta Lease Option
Steam/Electric Sales Agreement Obligations
State of Michigan Operating Permit

Steam Loop Concerns

The City of Detroit/GDRRA is not the owners of the steam loop, but rather Detroit Edison Company and/or Detroit Thermal are the owners. The Michigan Public Services Commission governs the operation and associated rates, and as such continued operation of the steam loop falls under them.

Some argument for the continuation of the operation of the RRF is based on the sale of steam for the downtown steam loop. The report indicates that the steam loop can continue to provide adequate steam for the downtown loop from other sources. While the cost my increase, partially due to the subsidy arrangement, this does not seem to be something that should have significant weight in determining the future of the RRF. In fact, the sale of steam to the downtown loop, and revenue from that could potentially evaporate anytime during the 10-year planning period as customers, especially large customers appear to be seeking other alternatives. Both because of the cost of steam from the downtown loop, and we believe the concern for the dependability of the steam loop. Loss of major customers will increase the cost to the remaining customers, including the City of Detroit, of the downtown steam loop.

Potential Capital Costs Relating to Continued Operation of the Resource Recovery Facility

The report indicates that there are a couple of other similar RRFs throughout the United States (Hartford Connecticut, and Honolulu, Hawaii) and in operation. The report notes that the RRF the question of today's technology versus the technology of the RRF plant comes to mind.

Questions

How many other RRF operations are there in total throughout the United States? What is the technology used in the most recently constructed facilities? Has technology made the RRF obsolete?

Pages 1-15 through 1-19 provides information from a report done in December 2004 by The Grillo Engineering Company (Grillo), on the condition of the RRF and some comparisons to the operation of the two similar facilities reference in the preceding paragraph. While the RRF plant appears to be given favorable marks and should be capable of continued operation for at least 15 years. This is qualified by, "if operated and maintained properly". We hope that this analysis proves to be true, but have the following concerns. Did the Grillo report include the estimated cost to operate and maintain the equipment properly? Are these costs included in the estimates for the continued operation of the RRF?

Because capital costs and major repairs can be very expensive, we feel that this is an area where additional caution and concern should be raised when comparing the alternatives over the 10 year planning period. Unexpected or unanticipated capital costs could have a significant effect on cost comparisons of alternatives. Making the cost of one alternative considerable greater than anticipated, and making a good decision, a bad decision in reality. Some method of applying a risk component to the potential capital costs of keeping the RRF should be factored into the decision.

Recycling

As stated earlier, increased recycling should be the goal irrespective of the continue operation of the RRF or move to land filling. Council may want to ask GDRRA and/or the administration to elaborate on the difference in cost or quantity of recyclable potential between the options. This additional information would provide the opportunity to discuss the weight recycling should be given in the final analysis.

Pollution

The strategic alternative report makes the point that pollution has a relative factor that is the location of individual in relation to the pollution often determines the individual's position. Operation of the RRF results in air pollution for those in the immediate area of the facility and down wind even though the facility meets state and federal pollution guidelines. However the use of landfills creates a different type of pollution situation liability for a different group of individuals. We are neither qualified, nor do we feel adequate information has been presented to determine the best decision based on the pollution factor. This area will likely result in much debate no matter what the final decision.

Question

Should Council receive an independent report from a consultant on the current ability of the RRF to meet federal and state pollution emission standards?

"Last" Debt Service Payment

Under the current bond obligations associated with the Resource Recovery Facility, the last debt service payment amounts to approximately $91.2 million due in fiscal year 2008-09. On the surface, this picture gives the illusion that sufficient funds will be freed up in the General Fund. However, this picture changes based on the continuation of the RRF beyond 2009, the cost to maintain and retrofit it, the cost of land filling and any cost to fully implement a comprehensive recycling program. It should be clearly illustrated to your Honorable Body what these cost implications mean to better provide a cost/benefit analysis on the best scenario for future waste disposal services in the City of Detroit.

Summary

The Strategic Operating Alternative Report provides a large amount of data and analysis concerning the decision to continue the operation of the RRF, or chose to close the facility and move to land filling. It would be easy to make the decision if only the current and projected cost of land filling could be compared to the cost of operating the RRF. As the report brings out there are other related factors that decision makers should be aware of and take into consideration. The significance and weight applied to the various factors require additional information and discussion before a knowledgeable and consensus decision can be made. In the final analysis there is likely not a right or wrong decision. But rather a decision that is best based on the assumptions and weight applied to the various factors. As with the original decision, only time will tell how the decision and plan compares to what happens in the future. Due to the limited time in which decisions must be made, the report provides a basis to begin serious decisions where the various points of view can be expressed.

It is of utmost importance for the Administration to respond to all questions raised in this report and offer any other comments deemed necessary to help the City Council make an informed decision in regards to the future operations of the GDDRA Resource Recovery Facility.

Attachments

cc: Council Divisions
Auditor General's Office
Ombudsperson's Office
Anthony Adams, Deputy Mayor
Cathy Square, Chief Operating Officer
John Prymack, Director of the Greater Detroit Resource Recovery Authority
Norman White, Chief Financial Officer
Pamela Scales, Budget Director
Charles Beckham, Public Lighting Director
Victor Mercado, Water and Sewerage Director
Kerwin Wimberly, Mayor's Office

Attachment I

GREATER DETROIT RESOURCE RECOVERY AUTHORITY

Revised 10/26/04

PARTIES AND SALE DOCUMENTS

PARTIES:

Owner Participants: PMCC Leasing Corporation
Aircraft Services Corporation

Resource Recovery Business Trust - A

Resource Recovery Business Trust - B

Lessee: Michigan Waste Energy, Inc., a subsidiary of Covanta Projects

Owner Trustee: Wilmington Trust Company and William J. Wade

PC Bond Trustee: Bank of New York, as successor to IBJ Schroder, and Leonard Trueblood, successor to Max Volmar

Collateral Agent: Bank of New York, as successor to IBJ Schroder

Newco: Resource Recovery First Funding Corporation and Resource Recovery Second Funding Corporation (both created to insulate OPs from Operator bankruptcy)

FSA: Financial Security Assurance (the "Bond Insurer")

DOCUMENTS There are two sets of documents, one to reflect the interests of each Owner Participant and Trustee. The documents are identical except for percentage interests and related rents and fees.

Participation Agreements:

- Agreement by Owner Participants ("OPs") to buy and conditions under which they will own the Facility
- Parties: Owner Participant (OP), Trust, Authority and Lessee (Michigan Waste Energy)

Leases: Between each Trust (for OP) and Lessee.

Supplemental Operating Agreement: Between Lessee and Authority.
(Passes along most obligations of Lessee under Lease to Authority).

Supplemental Service Contract: Between Authority and City.

Authority Security Agreement: Establishes Authority Security Fund which will be available to pay a certain return on the OP's investment and a portion of the special payment obligations arising on an interest Accrual Date. (See below).

PC Bond Documents:

- Trust Indenture: Between EDC and IBJ Schroder as Trustee.

- Installment Sale Contracts: Among EDC, each Trust and Authority.

Miscellaneous Documents:

- First Authority Funding Agreement (with Newco) secures special payment obligations which are secured by Distributable Aid and Bond Insurance.

- Second Authority Funding Agreement (with OP and Trust). Special payment obligations secured by Distributable Aid.

- Third Authority Funding Agreement (with OP and Trust) - (Cash on cash return, certain tax loss amounts and certain claims) secured only by City's general fund.

- Fourth Authority Funding Agreement (with FSA). Reimbursement to FSA of amounts paid by it on Newco Note.

- Intercreditor Agreement.

- Steam Line Agreement - re access to steam line (which was not sold).

- Ground Lease and Ground Sublease.

- City Representation Agreement - from City to OP, FSA, Bank of New York

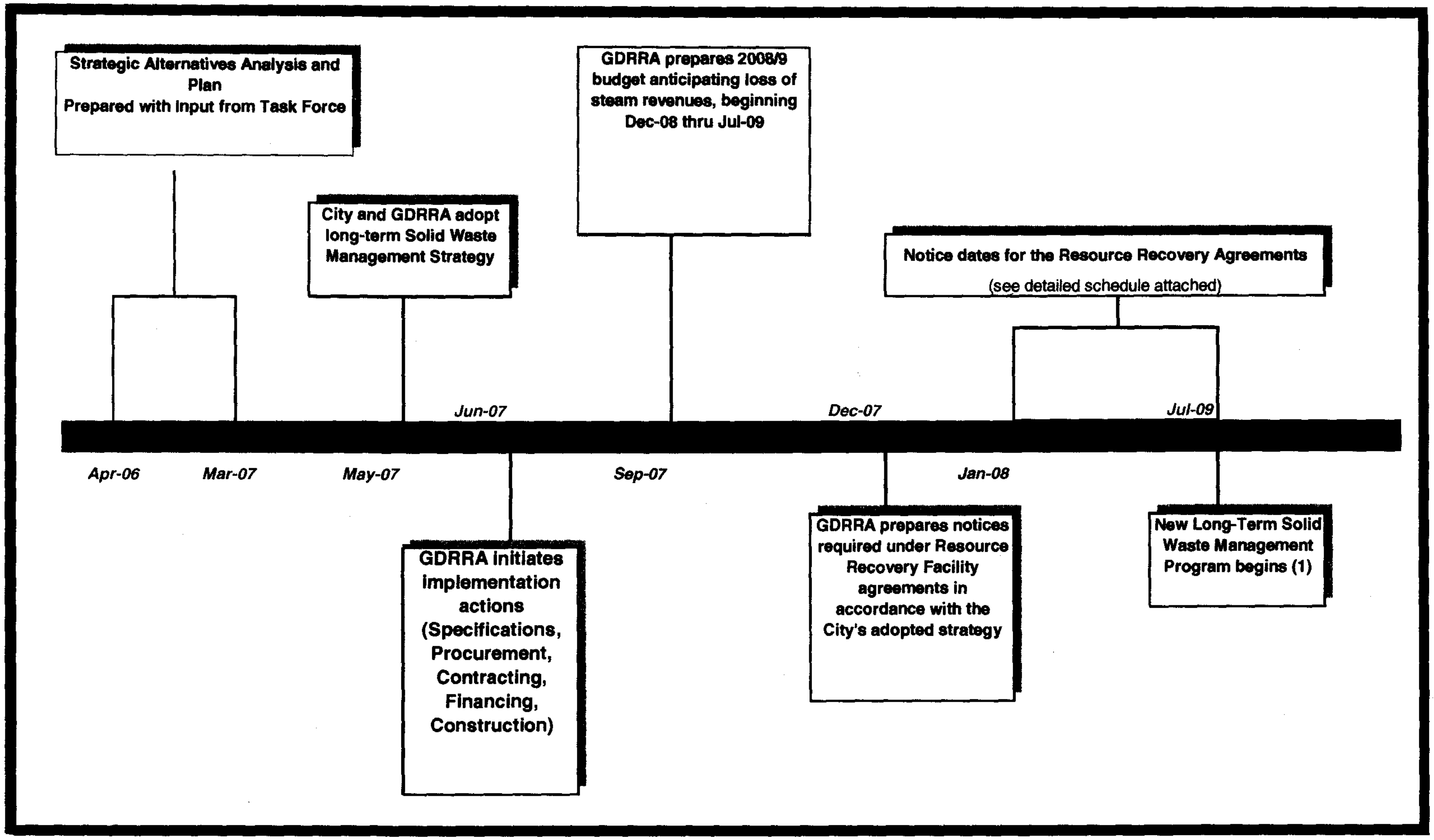
- Mortgage - from OP to Authority.

BASIC STRUCTURE: On October 5, 1991, the Authority, the OPs, the Trust, the Trustee and the Lessee entered into the Participation Agreements pursuant to which the Authority agreed to sell and other excluded assets as shown on Bill of Sale, such as rolling stock and computers and the OPs agreed to buy the facility subject to certain conditions. On October 23, 1991, the sale closed. On October 23, 1991, title to the facility transferred, the mortgage became effective, the Trusts leased the facility to the Lessee, the Supplemental Operating Agreement, the Supplemental Operating Agreement, the Installment Sale Contracts, the Supplemental Service Contract and other sale/lease documents became effective, and the PLD wholesale electric sale agreement, the DWSD retail electric sale agreement and the Amended and Restated Energy Purchase Agreement became effective. The OPs paid a purchase price totaling $469,740,523.00 of which $126,992,104.38 was paid in cash and $342,748,418.40 was a loan represented by the Mortgage Notes and secured by the Mortgages. The cash portion of the purchase price was used to fund the Authority Security Fund, pay an estimated $54,073,023.00 to the City as a reimbursement of Tipping Fees advanced in 1989-90 and 1990-91 and pay transaction costs. (in conjunction with the sale/lease and concurrent negotiations with the Michigan Department of Natural Resources and Combustion Engineering (the Operator in 1991) the Authority agreed to undertake a retrofit of the facility to install scrubber/baghouses and certain other pollution controls. These improvements are being financed with the proceeds of bonds (the "PC Bonds") issued by The Economic Development Corporation of the City of Detroit. On October 23, 1991 a purchase contract for the PC Bonds was signed and the PC Bonds were delivered on October 30, 1991. On October 30, 1991 the Trust Indenture and the remaining 1991 bond related documents became effective. Tax exempt bonds in the amount of $125,000,000 were issued and taxable bonds in the amount of $46,500,000 were issued. All but $1,500,000 of the taxable bonds were refunded with tax exempt bonds on April 24, 1992 when state volume cap allocation became available. Interest on the PC Bonds was capitalized with respect to the retrofit of each unit until the retrofitted unit was placed in service.

Ownership of the improvements associated with the retrofit of each boiler was not transferred or liability associated with the improvements accompanied by the OTs until the completion of the retrofit of that boiler. The First OT Assumption Date for boiler #12 occurred on March 17, 1993. The second OT Assumption Date for boiler #13 occurred on April 27, 1994. The third OT Assumption Date occurred on February 21, 1996.

After completion of the retrofit, approximately $9,630,000 in PC Bond proceeds remained. They were applied to redeem PC Bonds on May, 1, 1998. On September 5, 2001, the PC Bonds were refinanced, with approximately $9.5 Million in present value savings to the Authority and the City.

Exhibit 9-7
GREATER DETROIT RESOURCE RECOVERY AUTHORITY
KEY DATES FOR DEVELOPMENT AND IMPLEMENTATION OF SOLID WASTE MANAGEMENT STRATEGY



Attachment II

Note: (1) New Program would begin in December 2008 if RRF agreements are terminated early.

Dvirka and Bartilucci
CONSULTING ENGINEERS

SOA: Supplemental Operating Agreement
PA: Participation Agreement
LA: Lease Agreement
EPA: Energy Purchase Agreement

Exhibit 9-8

MAJOR OPTIONS AND OBLIGATIONS OF THE PARTIES

	2008	2009
	Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec	Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
GDDRA LANDFILL OPTION		January 1, 2009 **GDRRA LANDFILL OPTION:** Early date to notify Covanta that GDRRA will not renew Operating Agreement; otherwise SOA extends 5 years. (SOA, 3.02)
OWNERS' FAIR MARKET RATE USE OPTION		[redacted]
GDRRA RRF LEASE OPTION (2)	June 1, 2008 **GDRRA RRF LEASE OPTION (2)** Latest date for GDRRA notice to Covanta directing Covanta to renew lease (SOA, 6.01(b) *Last day for GDRRA and owners to conclude substitute Lease and foreclose Covanta Lease renewal right, (PA, 13.14(c); LA, 5.02(b)(ii) July 1, 2008 **GDRRA RRF LEASE OPTION (2)** Last date for Covanta to renew lease per GDRRA directive (LA, 5.01)	
GDRRA RRF PURCHASE OPTION	January 1, 2008 **GDRRA RRF PURCHASE OPTION** Early date for GDRRA notice to owners of intent to purchase if no renewal from Covanta (PA, 13.10) July 1, 2008 **GDRRA RRF PURCHASE OPTION** Last date for GDRRA notice of intent to purchase if Covanta has <u>not</u> issued renewal notice (PA, 13.10)	January 1, 2009 **GDRRA RRF PURCHASE OPTION** Last date for GDRRA Notice of Intent to purchase if Covanta has issued renewal notice, (PA, 13.10)
COVANTA LEASE OPTION (2)	July 1, 2008 **COVANTA LEASE OPTION (2)** Last date for Covanta notice of intent to renew lease and release GDRRA from all obligations LA, 5.01(a) and 5.02(b)(ii), SOA 6.01(b))	
STEAM / ELECTRIC SALES	June 13, 2008 **STEAM SALES** Last date for MWE or DTE notice of desire for 5-year extension of steam sales (EPA, 3.2) December 1, 2008 **ELECTRIC SALES** Last date for MWE or new operator notice to DTE of intent to supply electricity through 2024 and avoid default (EPA, Ex. H, 9.3) (DTE has right to approve a new operator) December 13, 2008 **STEAM SALES** Expiration of Steam Purchase Agreement (EPA, 3.1.2)	
STATE OF MICHIGAN OPERATING PERMIT	[redacted]	

Note 1: The agreements and their applicable sections are referenced in the parentheses.
Note 2: Lease may be extended for (a) no more than (2) 4-year terms at $2 million per year, or (b) 2-year terms at "fair market value", for no longer than the Ground Lease (2035).

Dvirka and Bartilucci
CONSULTING ENGINEERS
A DIVISION OF WILLIAM F. COSULICH ASSOCIATES, P.C.

Attachment III